



## TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO Operating Policy and Procedure

**HSCEP OP:** 72.07, **Lease Purchase of Equipment and Other Commodities**

**PURPOSE:** The purpose of this Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) Operating Policy and Procedure (HSCEP OP) is to establish the procedures to be followed when leasing purchasing equipment and other commodities.

**REVIEW:** This HSCEP OP will be reviewed on January 15 of each odd-numbered year (ONY) by the Managing Director of Purchasing, with recommendations for revisions submitted to the chief financial officer or designee by February 1.

### **POLICY/PROCEDURE:**

- I. **Policy.** This policy will apply to lease purchases of all types of equipment and commodities regardless of the source of funds.
- II. **Procedure.**
  - A. All requests for lease purchases must be submitted to Purchasing on a TechBuy requisition using the Non-Catalog Form, which can be accessed on the [TechBuy home page](#).
  - B. A "proposed lease purchase arrangement" for purposes of this operating procedure shall mean a proposed arrangement whereby the requisitioning department intends to obtain title to the equipment, whether by installment purchase or by lease with the option to purchase and where the pay-off period extends beyond an existing appropriation period such as the current fiscal year.
  - C. Written justification for the lease purchase must be attached to the purchase order and shall include:
    - 1) A statement with supporting dollar values explaining why the proposed lease purchase is cost-effective when compared to an outright purchase. The supporting dollar value documentation must include details pertaining to any actual or imputed interest, carrying charges or other additional costs which will be added to the purchase price over the life of the proposed contract.
    - 2) A statement of the department's estimated useful life of the asset and fair market value at the end of the lease.
    - 3) A statement that the requisitioning department guarantees and obligates to make payments beyond the current fiscal year without relying on an increase in general revenue appropriations.
  - D. Purchasing will follow all procedures with regard to bidding to determine the lowest possible purchase price of the equipment without regard to financing. In some instances, outright purchase and finance options will be included in the bid terms and conditions for evaluating financing options.
  - E. Any lease purchase obligation, regardless of the source of funds, which has a stated term of longer than five years or an initial principal amount greater than \$250,000 will require prior approval by the Texas Bond Review Board (TBRB). All applications to TBRB must follow rules that may be accessed at <http://www.brb.state.tx.us/> copies of TBRB rules may also be obtained from the directors of Procurement Services or accounting services.

- F. Payments should be negotiated on a quarterly, semi-annual or annual basis, if possible.
- G. Lease agreement should contain a clause, statement or addendum acknowledging: "Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso) is an agency of the State of Texas and property owned by TTUHSC El Paso is exempt from taxation. As a result, TTUHSC El Paso is exempt from paying property taxes in relation to the property subject to this Lease Purchase."
- H. The lease purchase will then be referred to the Assistant Vice President (AVP) of Finance and Administration and/or the Vice President / Chief Financial Officer (VP/CFO) to determine if the Texas Tech University System may provide internal financing with better terms through the Revenue Finance System (see Section 07.05.4, Regents' Rules, Equipment financing). The AVP of Finance and Administration and/or the VP/CFO will either approve the lease purchase as submitted or refer the lease purchase for a conversion to a traditional purchase to be financed through the Revenue Financing System.
- I. All lease purchases must be approved in writing by the AVP of Finance and Administration and/or the VP/CFO.